Ministry of
Energy and Mines

2004/05
Annual Service Plan Report

BRITISH
COLUMBIA

www.gov.bc.ca

National Library of Canada Cataloguing in Publication Data
British Columbia. Ministry of Energy and Mines.
Annual Service Plan Report. — 2001/02/2002/03/2003/04/2004/05 —

Annual.
Also available on the Internet.
Continues: British Columbia. Ministry of Energy and Mines. Annual Report (2005).
ISSN 1705-1061 = Service plan — British Columbia. Ministry of Energy and Mines.

1. British Columbia. Ministry of Energy and Mines — Periodicals. 2. Energy Development — British Columbia — Periodicals. 3. Mines and Mineral Resources — British Columbia — Periodicals. 4. Mineral Industries — Government Policy - British Columbia — Periodicals. 5. Energy Development — Government Policy - British Columbia — Periodicals. I. Title. II. Title: Ministry of Energy and Mines Annual Service Plan Report.

TD194.68.C32B74 354.3'28'0971105 C2002-960245-9

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* *Refer to note on page 3.*

106-00489/

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PLEASE NOTE: On June 16, 2005, the government ministries were re-organized to reflect the new cabinet responsibilities. Many of the website addresses and links in this printed report may have changed following the government re-organization.

- A list of the new ministries is available on the government website at http://www.gov.bc.ca — follow the links to Ministries and Organizations.
- An index of all 2004/05 Annual Service Plan Reports, with up-to-date website links, is available online at http://www.bcbudget.gov.bc.ca/annualreports/ .

Message from the Minister and Accountability Statement

British Columbia has a long history of responsible natural resource development. Energy and mineral resource products, such as electricity, natural gas for heating, gasoline for transportation, coal used to make steel, and construction aggregates, are fundamental to a thriving economy and the lifestyles of British Columbians. Working closely with rural communities and First Nations, these sectors also provide family-supporting jobs, a solid business base in rural communities, and the public funds for priority services like health and education. However, not only rural areas benefit from these industries. Urban centres also gain from the marketing and development of natural resources.

In 2004/2005 the Ministry of Energy and Mines built on a solid record that continued the expansion of the alternative energy sector as independent power producers came forward with run-of-river, tidal and biomass energy projects. We also saw a 100 per cent increase in exploration spending by the mining sector and a 50 per cent rise in capital investment by British Columbia's oil and gas industry. All of this was done while still maintaining our world-class regulatory system that ensures the protection of environmental and social values.

British Columbia has always been a world leader in clean electricity production, with 85 per cent of the Province's electricity coming from our abundant hydro-electricity facilities. Our Energy Plan targets 50 per cent of new electricity is to come from clean sources and BC Hydro has pledged no net incremental environmental impacts as they acquire additional resources to meet the growing needs of British Columbians.

The Electricity and Alternative Energy Divisison recognizes that part of our challenge will be to use existing sources of energy more wisely. The Community Action on Energy Efficiency Pilot Program is a multi-party project that demonstrates how to reduce electricity consumption in residential and commercial buildings.

In April 2005 the Premier announced the Alternative Energy and Power Technology Task Force, which is tasked with ensuring our province remains a world leader in the research and economic development of alternative energy. The Provincial Government is committed to working with this sector to create alternative energy and brand British Columbia as the place international customers turn to for power technology and environmental solutions.

The Minister of State for Mining worked hard to develop renewed confidence that is bringing investors back to the Province. In 2004, our province attracted 12 per cent of Canadian exploration spending, a 300 per cent increase in British Columbia's portion of investment targeted at finding new mineral resources. The ministry responded to industry and community concerns and developed the comprehensive British Columbia Mining Plan to ensure recent successes continue for the long term. Implementation of this plan has already begun and I am confident this plan will lead to lasting confidence in British Columbia as a responsible and competitive place for mineral resource development.

Last year was nothing short of spectacular when you look at the work of the Oil and Gas Division and the response by industry. With capital investment at $4.5 billion in 2004 the industry has clearly signaled that efforts by this ministry to ensure British Columbia is a globally competitive jurisdiction are paying off. Summer drilling in 2004 remained strong and British Columbia was the only province that registered a rig count increase, both indications that our summer drilling program is working. In March 2005, Oil and Gas Development Strategy III was launched. It builds on the solid success of the previous two phases. The strategy focuses on programs to improve infrastructure, increase year-round industry activity, provide stable employment, improve the competitiveness of the northeast British Columbia service sector, and provide targeted on-site training through a new Oil and Gas Centre for Excellence in Fort St. John.

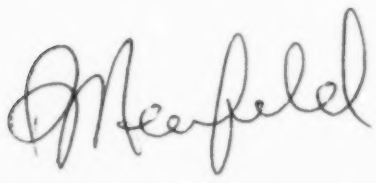
Underlying all of this work is a commitment to working with communities and First Nations to ensure they have the information and resources to understand and benefit from energy and mine development. Our Aboriginal Relations Branch has established relationships across the province and supports First Nations by providing access to industry training and facilitating relationships with industry proponents. They have worked extensively with Treaty 8 First Nations, developing capacity and discussing ways to ensure those First Nations receive economic benefits from resource development that impacts them.

One of the many infrastructure highlights was the completion of an award-winning public private partnership to upgrade the Sierra Yoyo Desan road. This partnership included a new bridge spanning the Fort Nelson River that opened up rich oil and gas fields that were previously inaccessible, providing employment and stimulating business development that would not have otherwise occurred.

Beyond the $2 billion in revenue to the province and the high paying jobs, energy industries also provide us with the power and products we need in British Columbia. This includes environmentally responsible electric power from large and small hydro and wood residue, clean-burning natural gas, and petroleum to meet our transportation and home heating needs.

I am proud of the accomplishment of this ministry to fulfill its vision of thriving, competitive, safe and environmentally responsible energy and mining sectors, significantly benefiting all British Columbians. I invite you to review the 2004/05 Annual Service Plan Report.

The 2004/05 Ministry of Energy and Mines Annual Service Plan Report compares the actual results to the expected results identified in the ministry's 2004/05 Service Plan. I am accountable for those results as reported.



Honourable Richard Neufeld
Minister of Energy and Mines

June 15, 2005

Message from the Minister of State and Accountability Statement

Mining is back in British Columbia and I am proud of the dedicated Mining and Minerals Division and their hard work to address stakeholder concerns and promote growth in this sector. Starting in January 2004, I had goals as Minister of State for Mining to strengthen the provincial geoscience database, market and communicate the industry's environmental and sustainability principles, increase clarity for access to Crown land and draft an action plan for mining and skills development. In 2004/2005, I am proud to say that we have accomplished all of these goals and improved the confidence of the mining industry in the province while bringing much needed exploration dollars back to British Columbia.

In January 2005 we announced the British Columbia Mining Plan. This completes the work begun by the MLA Task Force on Mining in 2003. It builds on our long history, presenting a vision and strategy for sustainable mining designed to increase investment, jobs and economic benefits for the people of British Columbia.

The British Columbia Mining Plan is built on four cornerstones that serve as guiding principles for a strong, healthy industry:

- Focus on Communities and First Nations — a made-in-BC approach to sustainable exploration, mining and communities;
- Protecting Workers, Protecting the Environment — continued leadership by industry and government in worker safety and environmental stewardship;
- Global Competitiveness — actions to increase investment, streamline regulation and improve geoscience information; and
- Access to Land — enhancing the two-zone system through improved integration of exploration and mining with other land uses.

Exploration and mining are thriving in British Columbia. The introduction of the Mineral Titles Online tenure system shows this as it registered more claims in the first quarter of 2005 than in all of the previous year.

The Provincial Government has worked hard with exploration and mining stakeholders to strengthen our competitive environment and to make the province the most attractive jurisdiction in Canada for exploration and mining. In 2004 we extended the 20 per cent flow-through share tax credit for mining exploration for an additional year. Combined with the federal government's 15 per cent mining tax credit, it creates one of the best exploration tax credit programs in Canada.

Our commitment to more and better geoscience resulted in the release of new geological maps and the funding of $25 million for Geoscience BC, a new non-profit society that will complete surveys in under-developed areas of the province with significant potential.

In the coming year, the ministry looks forward to announcing completion of several key outcomes in the British Columbia Mining Plan. This ministry has worked with industry, communities and First Nations to ensure the province is globally competitive. We have the expertise, the resources and the markets to move forward to even greater prosperity and to continue to generate family-supporting jobs while reinforcing British Columbia's leadership in environmental stewardship.

I am the Minister of State for Mining and, under the *Balanced Budget and Ministerial Accountability Act*, I am accountable for the following results.

1. An action plan to market and communicate environmental and sustainability practices.

Actual Result(s): The British Columbia Mining Plan includes an action plan to market and communicate British Columbia's outstanding environmental and sustainability practices. This plan focuses on environmental sustainability, worker safety and increased inspections and audits at mine sites around the Province.

2. A framework to clarify access to Crown land for mining exploration and development.

Actual Result(s): The British Columbia Mining Plan will work to clarify access to Crown land by defining land available for development while putting in place a process of collaboration with other development stakeholders that will increase exploration effectiveness and balance land use interests.

3. A plan to reduce mining skill shortages and promote mining development.

Actual Result(s): The British Columbia Mining Plan works to reduce mining skill shortages and promote mining development by improving relationships with communities and First Nations, supporting mining education programs, identifying existing and future skill requirements and by working collaboratively with industry to improve research and education.

Honourable Pat Bell
Minister of State for Mining

June 15, 2005

Highlights of the Year

The substantial growth experienced by British Columbia's energy and mineral sectors in 2003/04 was further accelerated in 2004/05, in part due to the policies and programs of the Ministry of Energy and Mines (MEM or the ministry). High commodity prices, and an improved investment climate created by improved policies and regulatory streamlining, resulted in increased levels of resource exploration and development activity. For the second straight year, energy and mineral resource revenues to the Provincial Treasury surpassed the $2 billion mark, providing funds for healthcare, education and social programs for all British Columbians. Highlights of the ministry's achievements, by core business area, in 2004/05 include:

Oil and Gas

Oil and Gas Development Strategy — The ministry launched the third phase of the Oil and Gas Development Strategy (OGDS) with four new programs, representing an investment of $34.4 million. This funding works to enhance infrastructure and expand training to support industry and communities in the northeast. Highlights include:

- Infrastructure — $30 million in road based royalty credits for 2005/06.
- Communities and Stakeholder Engagement — $2.5 million.
- Service Sector/Education and Training — $1.9 million.

Training and Education — As part of OGDS, government is investing in increased training and education opportunities to support the province's oil and gas service sector. In May, the Provincial Government announced that it will create 250 new student spaces at Northern Lights College by 2010 and a new Oil and Gas Education and Training Consortium. This is a partnership between the Province and industry to develop a comprehensive and coordinated approach to British Columbia's training strategy for the oil and gas sector. In addition, the Province and industry are jointly investing $1 million for oil and gas training programs this year.

Best Practices Working Group — Also as part of OGDS, the Best Practices Working Group (BPWG) was established to recommend regulatory efficiencies and policy improvements. While maintaining environmental, health and safety standards, nine recommendations were implemented worth an estimated $20 million to $36 million per year in cost savings for industry. The ongoing work of the BPWG could provide for an additional $30 million to $40 million per year in savings. The BPWG is a joint initiative between industry and government.

Regulatory Improvement — The ministry commenced the Oil and Gas Regulatory Improvement Initiative (OGRII) which will develop a streamlined results-based framework for more effective and efficient regulation of oil and gas activities in the Province.

Regional Funding — In February 2005, a new agreement with the Peace River Regional District (PRRD), was finalized that will see the province transfer $20 million to the PRRD. This amount will be adjusted annually to reflect changes in industrial property assessment in the region. In addition, one-time funding of $40 million was disbursed to communities in both the PRRD and Northern Rockies Regional District in March 2005, to address infrastructure issues in order to meet the needs of the booming oil and gas industry.

Offshore Oil and Gas — The ministry made two presentations to the federal public review process, setting out the Province's perspective on offshore development. The ministry concluded a protocol agreement with the Nisga'a Nation setting out proposed collaborative activities in relation to public information, science, and development of a regulatory regime. The ministry also led a delegation of some 20 British Columbian businesses to the Offshore Technology Conference in Houston, Texas.

Employment — There were 11,400 people directly employed by oil and gas activities in 2003. That's up 45 per cent since 2001. Approximately 6,800 people are engaged in exploration, production, development and related activities. Approximately 4,600 work downstream in areas such as pipeline transportation, natural gas distribution and petroleum and coal product manufacturing.

Industry Investment — Industry investment has more than doubled since 2001, and is expected to be over $4.5 billion in 2004/2005.

First Nations in Oil and Gas — In March 2004, Treaty 8 First Nations and British Columbia signed a Negotiation Protocol to seek agreement on revenue-sharing and a list of issues by March 2007. To date, the parties have entered into agreements on Treaty 8 First Nations negotiation costs and special projects. These include provision to Treaty 8 of a wildlife biologist, GIS capacity development, business development workshops, a cumulative effects workshop, economic opportunities research, research on participation models and culture and heritage planning. Negotiations with Treaty 8 First Nations are ongoing.

Revenues — Oil and gas revenues were $1.892 billion for 2004/05. Oil and gas contributes the largest proportion of resource revenue to the Provincial Treasury.

Wells Drilled — In 2004, oil and gas drilling activities in B.C. reached a record level — 1,270 wells were drilled, compared to 1,041 wells drilled in 2003.

Summer Drilling — Year round activity provides benefits for communities and government. The Summer Drilling Royalty Program, introduced in 2003, resulted in an increased number of wells drilled during the summer months. Summer drilling increased by more than 100 per cent compared to 2002, with 319 wells drilled from April 1 to November 30, 2004, as compared to only 152 in 2002.

Public Private Partnerships — The Oil and Gas Division accepted the Gold Award for Project Financing at the Canadian Council for Public Private Partnerships 2004 National Awards for Innovation and Excellence for the Sierra Yoyo Desan (SYD) Resource Road project. The award recognizes British Columbia as a leader in enhancing infrastructure through public-private partnerships, which lowers risks and costs to government. The SYD

Resource Road project is a 188 km multi-user resource road located northeast of Fort Nelson, operating under a partnership between industry and government.

Petroleum Titles Online — The Ministry implemented Petroleum Titles Online, an internet-based system allowing electronic submission of requests for oil and gas tenures and providing readily accessible online tenure maps and data for industry and the public.

Mining and Minerals

British Columbia Mining Plan — In January 2005 the Provincial Government launched the British Columbia Mining Plan, which presents a vision for a strong, competitive and sustainable British Columbia mining industry for the next decade and beyond. The four cornerstones of the British Columbia Mining Plan are: (1) a focus on communities and First Nations including a made-in-British Columbia approach to sustainable exploration, mining, and relationship building with communities; (2) protecting workers and protecting the environment, including continued leadership by industry and government in worker safety and environmental stewardship; (3) global competitiveness, including actions to increase investment, streamline regulation and improve geoscience information; and (4) access to land, including enhanced integration of exploration and mining with other land uses.

Mineral Titles Online — In January 2005, the ministry launched the innovative and cutting-edge, Mineral Titles Online program that allows prospectors and the mineral exploration industry to acquire and manage their mining claims with more certainty and time savings than ever. Over 2.5 million hits on the website, and more new mineral claim area than all of 2004, were registered in the first two weeks of operation.

Mineral Claims — Nearly 1.1 million hectares of mineral claims were staked in 2004, the most in 13 years. The 2004 activity level was up 80 per cent from 2001.

Mining Exploration — More than 470 exploration projects were underway in 2004, an increase of more than 60 per cent since 2003. New and previously operating mines are also back in operation. To name a few:

- Gibraltar mine near Williams Lake, with 240 family supporting jobs, re-opened in the fall of 2004.
- Pine Valley Mining Corporation's Willow Creek mine, the first new metallurgical coal mine in British Columbia in almost 20 years made its inaugural shipment in September 2004.
- The Dillon coal mine near Chetwynd began production in December 2004.

Mineral Exploration Investment — Investment in mineral exploration in British Columbia topped $130 million in 2004 and is expected to reach $150 - $200 million in 2005, five times the total of 2001. This will be the highest level of exploration spending in British Columbia in over 13 years.

New Mineral Potential — There are currently over 20 significant mineral and coal projects in the advanced exploration and development stage including 14 proposed mining projects now in the Provincial environmental assessment process.

First Nations Funding — The Provincial Government provided $990,000 for First Nation Mining Initiatives, including First Nations business and educational opportunities, prospector training for First Nations and communities and funding to northeast First Nations for the appointment of a community coal co-ordinator to assist in the provision of information about the coal industry.

Geoscience BC — The Province provided a one time grant of $25 million to the British Columbia and Yukon Chamber of Mines to establish Geoscience BC. This program will provide the geoscience that identifies opportunities for new resource investments in British Columbia and ultimately, new mining and oil and gas projects.

Geoscience Partnership — The ministry supported an innovative geoscience program in partnership with industry and other levels of government which resulted in the publication of new geoscience information leading to increased claim staking and exploration activity.

Electricity and Alternative Energy

Alternative Energy Strategy and Alternative Energy and Power Technology Task Force — The Province released an Alternative Energy Strategy and announced the formation of an Alternative Energy and Power Technology Task Force to provide recommendations that will unleash the environmental, economic and job creation potential of the alternative energy and power technology industry in British Columbia. The Task Force will consult with stakeholders and interested parties to identify solutions to today's energy challenges and options that showcase British Columbia's leadership potential in world markets. According to a 2005 report prepared for the Premier's Technology Council, British Columbia's power technology sector already includes more than 60 companies providing 3,000 jobs and generating $700 million in annual revenues.

Solar Energy in Schools — The Province is bringing clean, affordable solar energy to schools in Fort Nelson and Vernon in the Solar for Schools pilot program, through $300,000 in Provincial funding.

Tidal Energy — The Lester B. Pearson College of the Pacific, Clean Current Power Systems and Encana Corporation are partnering to install and test a tidal energy demonstration turbine at Race Rocks. MEM provided a $189,500 grant to Pearson College to upgrade and expand infrastructure for environmental monitoring, telemetry and operational support of the project. Developing alternative energy resources and advanced energy technologies supports the British Columbia Energy Plan goal to reduce the environmental impact of energy production and use.

Alternative Energy — The Province is providing property tax relief for environmentally friendly hydro projects, and exploring similar exemptions for other alternative energy sources, such as wind and geothermal. Government is eliminating the PST for two years on a range of energy efficient furnaces, boilers and heat pumps. In addition, British Columbia is doubling the existing PST benefit for cleaner running hybrid passenger vehicles, those with both an electric motor and an internal combustion engine. Buyers will save up to $2,000 in PST or twice the tax savings possible today. In total, these tax measures represent savings

to consumers and industry of $14 million over three years and an investment that will help to protect our environment, meet our growing energy needs and stimulate further economic diversification.

Fuel Cell Vehicles — Ford Motor Company, the Federal Government, Fuel Cells Canada and the Province have established a three year test program for five Ford Focus hybrid fuel cell vehicles to be used in Vancouver and Victoria. Vehicle users include the City of Vancouver, Ballard Power Systems, BC Transit, BC Hydro, Fuel Cells Canada, the Federal Government and the Province of British Columbia.

Hydrogen and Fuel Cell Strategy — The Province provided $2 million in funding to Fuel Cells Canada to begin implementing British Columbia's Hydrogen and Fuel Cell Strategy. Hydrogen and fuel cell development is driving new private sector investment in British Columbia, providing both jobs and technology for a healthier and more prosperous future.

The Energy Plan Update — In November 2004, MEM released a report card highlighting the progress of Energy For Our Future: A Plan For BC. The Report Card On Progress demonstrates significant achievements in four key areas of the Energy Plan, including: (1) Low electricity rates and public ownership of BC Hydro; (2) secure, reliable supply of electricity; (3) more private sector opportunities; and (4) environmental responsibility. The Energy Plan, released in November 2002, lays out plans to increase investment in the energy sector, maintain low-cost electricity and public ownership of BC Hydro and create jobs in an environmentally responsible and sustainable way.

Independent Power Projects — In 2004/05, six new independent power projects generating 460 GW.h per year began commercial operation: Pingston hydro expansion (38 GW.h), Weyerhaeuser wood residue (155 GW.h), Rutherford Creek hydro (172 GW.h), Furry Creek hydro (39.5 GW.h), McNair hydro (38 GW.H) and Marion hydro (17 GW.h).

Ministry Role and Services

Vision, Mission and Values

Vision

Thriving, competitive, safe and environmentally responsible energy and mining sectors significantly benefiting all British Columbians.

Mission

The Ministry of Energy and Mines facilitates investment in the responsible development of British Columbia's energy and mineral resources to benefit British Columbians.

Values

The following values define the Ministry of Energy and Mines' management style and positions it to achieve its Service Plan goals and objectives.

Advocacy

The ministry works with the energy and mining sectors, advocating their interests to broader stakeholder groups in a way that ensures the responsible and sustainable development of energy and mineral resources.

Integrity

The ministry is committed to respectful, honest and ethical behavior in all its communications and actions.

Responsiveness

The ministry is service-oriented and responds to the needs of its stakeholders and the public in a timely and effective manner.

Accountability

The ministry is accountable to government and the public for the results identified in its Service Plan. The ministry is effective and efficient in delivering timely services and implementing sound financial management.

Professionalism

The ministry is committed to maintaining the highest levels of both technical competency and public service values, and encouraging innovation and creativity.

Partnership Building

The ministry promotes teamwork, good working relationships and effective partnerships with others.

Ministry Overview, Core Business Areas and Structure

Ministry Overview

The ministry is tasked with directing the responsible development of British Columbia's energy and mineral sectors. Natural gas is now the single largest source of provincial revenue derived from a natural resource. As commodity prices for natural gas, oil, electricity and minerals remain strong, British Columbians can expect to see continued benefits and resource development opportunities. The ministry's strategy is to increase investment and revenue related to all energy and mineral sectors, while acting as an environmental steward protecting the land base for future generations.

MEM administers 25 statutes pertaining to the energy and mineral sectors. In addition, the Minister of Energy and Mines is responsible for the Assayers Certification Board of Examiners, British Columbia Hydro and Power Authority, British Columbia Transmission Corporation, Columbia Power Corporation/Columbia Basin Trust, Mediation and Arbitration Board and the Oil and Gas Commission.

The ministry's core businesses and how they are organized are summarized and described below.

Core Business of MEM	Organization within MEM
1. Oil and Gas	**Oil and Gas Division** — Develops and implements policies and programs to maximize the benefits from oil and gas resources. **Oil and Gas Titles Branch, Titles Division** — Issues and administers tenures for Crown oil and gas rights. **Offshore Oil and Gas Team** — Established to enable offshore oil and gas development to occur in British Columbia in a scientifically sound and environmentally responsible manner.
2. Mining and Minerals	**Mining and Minerals Division** — Develops and implements policies and programs to manage the exploration and development and marketing of coal, aggregate, industrial minerals and metal resources. **Mineral Titles Branch, Titles Division** — Issues and administers mineral and coal exploration and mining tenures.
3. Electricity and Alternative Energy	**Electricity and Alternative Energy Division** — Develops and implements policies and programs to support all forms of electrical power generation, alternative energy sources, energy conservation and efficiency measures.
4. Executive and Support Services	**Marketing, Aboriginal and Community Relations Division** — Provides corporate support and services, leads investment promotion, community engagement and facilitates First Nations participation in the energy and minerals sectors. **Management Services Division** — Provides various financial and administrative services, on a shared services basis with the Ministry of Small Business and Economic Development.

Oil and Gas

Oil and Gas Division

The Crown owns the vast majority of the Province's petroleum and natural gas. The Oil and Gas Division is the steward of these resources and is mandated to protect the public interest in petroleum and natural gas development and ensure that benefits from resource development are maximized for all British Columbians. In 2004/05, Provincial Government revenue generated directly from the production of oil and gas in British Columbia was approximately $2 billion, or about eight per cent of total provincial revenues. Abundant hydrocarbon reserves in northeastern British Columbia, and potential resources in various other parts of the Province, indicate oil and gas revenue will continue to play an important role in the provincial budget. The Oil and Gas Division develops and implements policies and programs to maximize the benefits from British Columbia's oil and gas resources, including increasing provincial revenues and private sector business opportunities through innovative oil and gas infrastructure and royalty programs, promoting British Columbia's

geological potential and enhancing the business climate for British Columbia's oil and gas service companies.

Titles Division — Oil and Gas Titles Branch

The Oil and Gas Titles Branch issues, administers and collects revenues for tenures to Crown-owned oil and gas, underground gas storage and geothermal resources. The efficient administration of these subsurface rights generates more than $300 million in annual revenue and attracts energy sector investment to British Columbia.

Offshore Oil and Gas Team

The Offshore Oil and Gas Team was established to enable offshore oil and gas development to occur in British Columbia in a scientifically sound and environmentally responsible manner. The Province of British Columbia believes that the potential opportunities provided by offshore oil and gas development are of significant public value. The Province is taking a principled approach to researching management and regulatory regimes in other jurisdictions in order to identify best practices for west coast offshore development. Moving forward, the team will continue to work with communities, First Nations, the Federal Government and key stakeholders. The Offshore Team's focus through 2007/08 is to complete various components of the Offshore Team Project Plan. The core elements of this plan are to work with First Nations and all coastal communities to identify their concerns and establish solutions, develop options for a comprehensive regulatory regime and further the state of scientific knowledge pertaining to BC offshore energy resources.

Mining and Minerals

Mining and Minerals Division

Mining has fueled economic development throughout the province since the first Gold Rush nearly 150 years ago. British Columbia is rich in mineralization and is ranked high by companies with respect to mineral resource potential including coal, aggregate, industrial mineral and metal resources. Mining revenues and jobs are increasing as commodity prices, government policies and investor confidence are attracting the mining industry to develop these rich resources. The Province is committed to attracting exploration investment and building the mining industry in order to ensure benefits for all British Columbians. The Mining and Minerals Division develops and implements policies and programs to attract investment, manage the exploration and development of mineral resources, while ensuring involvement of communities and First Nations, environmental stewardship of the land and the protection of mine workers and the public. The Mining and Minerals Division is responsible for the implementation of the British Columbia Mining Plan.

Titles Division — Mineral Titles Branch

The Mineral Titles Branch issues, records and collects revenues for tenures to Crown-owned mineral, placer and coal resources. In January 2005, the Titles Division implemented Mineral

Titles Online, British Columbia's innovative, internet-based mineral claim acquisition and maintenance system.

Electricity and Alternative Energy

Electricity and Alternative Energy Division

The Electricity and Alternative Energy Division develops and implements policies and programs to support all forms of electrical power generation, alternative energy sources, energy efficiency measures, and leading edge technologies. Energy, economic and environmental policies are intertwined. As British Columbia's economy strengthens and diversifies, it continues to rely on low-cost electricity. At the same time, British Columbians are committed to environmentally responsible energy development and energy efficiency. The government is dedicated to striking a balance between the development of conventional sources of electricity in a responsible manner, and developing policies that will lead to the use of new and alternative sources. The Division is responsible for implementing the electricity and alternative energy policy actions in "Energy for Our Future: A Plan for BC" and assists the Crown Agencies Secretariat in developing and implementing provincial policy with respect to BC Hydro, British Columbia Transmission Corporation (BCTC) and Columbia Power Corporation (CPC).

Executive and Support Services

Marketing, Aboriginal and Community Relations Division

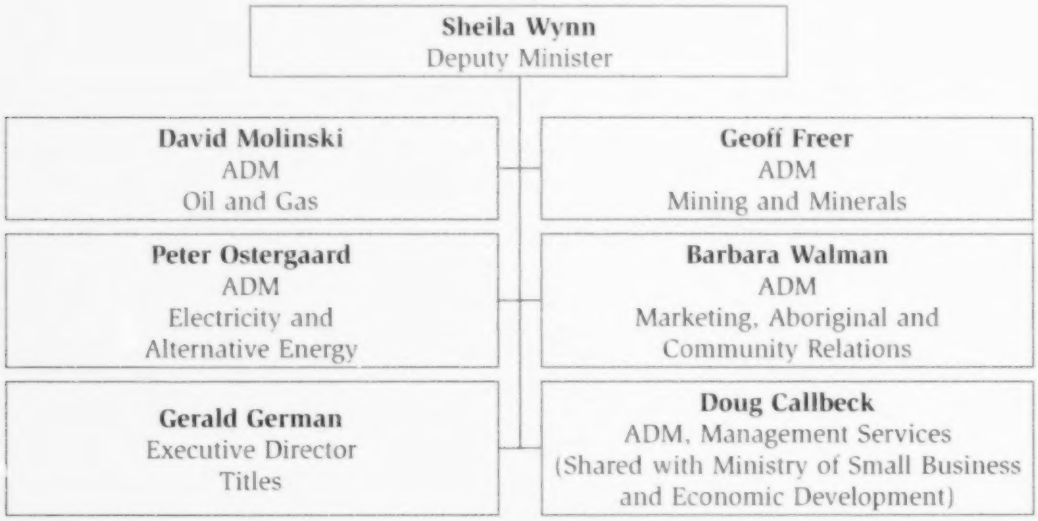
The Marketing, Aboriginal and Community Relations Division leads the ministry's aboriginal and community stakeholder strategy, investment promotion and marketing, corporate policy, intergovernmental relations, strategic planning, legislation, strategic human resources and executive support and services. The Division is responsible for the ministry's objective of strengthening its relationships with First Nations and communities in the development of energy and mineral resources throughout the province. The ministry aims to increase First Nations participation in these resource sectors through consultation and accommodation initiatives. The Division leads strategies to implement the ministry's goal of being an "exemplary organization and a ministry of choice as an employer in the British Columbia Public Service," requiring the ministry to have the best human resources practices on behalf of its employees and government. The Division is also responsible for the administration of the Mediation and Arbitration Board.

Management Services Division

The Management Services Division is a shared service provided to the Ministry of Energy and Mines and the Ministry of Small Business and Economic Development. Management Services' responsibilities include financial services and payroll, financial reporting and monitoring, facilities, administration, fleet management, library resources, information systems, records management and information and privacy (freedom of information administration), both directly and through service level agreements and liaison with Shared

Services Agencies. The Division has two branches supporting the ministry, the Finance and Administration Branch and the Information Management Branch.

Ministry Organization Structure/Chart



Ministry Operating Context

The oil and gas, mining and mineral and electricity and alternative energy sectors collectively, and directly, employ over 30,000 British Columbians. Indirectly, those sectors 'fuel' employment in many other service sectors that results in thousands more jobs. Estimates suggest nearly 100,000 British Columbians receive their paychecks as a result of energy and mineral sector activity. In addition, the direct revenue derived from these sectors totals over $2 billion annually which funds provincial government programs for health care, social services and education. The energy and mineral sectors are directly and indirectly affected by many factors inside and outside the sphere of influence of the government. For example, the Provincial Government has no control over weather and climate, however, those factors have significant impact on the development of energy and minerals in the Province. In planning its programs and service delivery, the ministry reviews all societal indicators that could, negatively or positively, affect the responsible and sustainable development of energy and mineral resources.

Overview of Societal Indicators:

Energy Costs

Higher energy prices, particularly for oil, natural gas and related by-products (e.g., transportation fuels) are increasing consumer concern and awareness regarding choices they make for meeting their home, business and transportation energy needs.

Skilled Labour

A shortage of skilled labour to support the oil and gas, mining and minerals and electricity and alternative energy sectors are posing increased challenges to the energy and mineral sectors.

Environmental Concerns

Virtually all of the current provincial and federal interactions with respect to the energy and mineral sectors are significantly influenced by Canada's obligations under the Kyoto Protocol. This pervasive issue remains difficult for governments to manage because, while perceived by many as an environmental issue, the implications in the near term are largely economic. The timeframe for action, measured in decades, tends to challenge governments faced with more immediate demands for limited financial and public sector resources.

Technological Change

Technological innovation is seen as a key indicator of progress in the energy and mineral sectors. Many view it as a solution for addressing escalating costs, enhancing security and addressing environmental issues.

Provincial Infrastructure

British Columbia's electricity generation, transmission and distribution infrastructure is aging with many components nearing the end of their useful lives. Utilities will increasingly be faced with decisions regarding the ongoing maintenance of assets versus replacement. Transportation infrastructure for oil and gas, including roads and pipeline transmission, and rail and road transportation infrastructure for the mining and mineral sectors, also require substantial investments to build new or maintain existing infrastructure.

Growing Awareness of Opportunities for Sustainable Energy Use

Many British Columbians are interested in shifting their energy consumption towards a greater reliance on renewable sources, and getting more out of the energy they use by increasing energy efficiency and reducing demand.

Meeting Energy Needs of a Growing Economy

As the British Columbia economy grows, energy suppliers, utilities, regulators and governments are challenged as to how to meet the resulting demands for energy in a manner that balances objectives of low cost energy that supports economic growth with environmental and social responsibility.

First Nations Participation

The Province has a lawful obligation to consult with First Nations and address and/or reach a workable negotiated solution with respect to asserted aboriginal interests. Increased

activity in energy, mining and mineral exploration has led to increased demands on First Nation communities to respond to volumes of referrals generated by numerous tenure and permit applications.

Evaluation of Resources

British Columbia has an enormous undeveloped energy and mineral resource base estimated to be worth billions of dollars. This resource base includes unconventional resources such as: coalbed gas, offshore oil and gas, tight gas, interior basins, marginal resource plays, new mineral deposits and cutting edge alternative energy such as tidal, wind and geothermal. Significant additional evaluation of these resources must be undertaken to promote investment.

Mineral Markets

Industry is forecasting a significant increase in the total dollars spent in mineral exploration in the province. Preliminary indicators suggest mineral exploration investment in British Columbia during 2005 will climb to between $150 million and $200 million. The industry is projecting continued increases in exploration spending as demand for mineral commodities and prices continue to rise on world markets. British Columbia's challenge is to develop new resources in a responsible manner and then market these commodities in a competitive and cost effective manner.

Community and Stakeholder Engagement

Communities are calling for enhanced engagement pertaining to energy and mineral development in their regions. Government's challenge is to facilitate the building of strong relationships between communities, First Nations, industry and government concerning the development of the Province's wealth of energy and mineral resources.

New Era Commitments

The Ministry of Energy and Mines has successfully addressed all "*New Era* Promises" that relate to its core businesses.

New Era Promises	
Government Priority	**Comments**
Oppose the Sumas 2 power projects and phase out Burrard Thermal.	**Completed.** The Province, led by the Ministry of Water, Land and Air Protection, was an intervener in the review of the Sumas Energy 2 power project before the National Energy Board. On March 4, 2004 the NEB announced that it was denying SE2's application for an international power line. BC Hydro is considering the phase out of Burrard Thermal as a part of its Integrated Electricity Plan. BC Hydro's planning assumptions post 2014 do not include any energy from Burrard.
Protect BC Hydro and all its core assets, including dams, reservoirs and power lines under public ownership.	**Completed.** The *BC Hydro Public Power Legacy and Heritage Contract Act* was brought into force in late 2003. This Act stipulates that BC Hydro must not sell or otherwise dispose of protected assets.
Restore an independent BC Utilities Commission to regulate BC Hydro's electricity rates.	**Completed.** Additional Commissioners and changes to the *Utilities Commission Act*, which were brought into force in May 2003, create a strengthened and more effective British Columbia Utilities Commission (BCUC) for oversight of BC Hydro. The rate freeze was eliminated, and in October 2004 the BCUC issued its first BC Hydro Revenue Requirements Decision in a decade. The BCUC also approved BC Hydro's electricity purchase agreement for the proposed Duke Point power project.
Encourage mineral exploration.	**Ongoing.** In order to have a healthy, sustainable mining industry in British Columbia, it is essential to have a robust mineral exploration sector. The mining industry estimates that annual exploration expenditures of at least $150 million are required to sustain the industry's production. The ministry will continue to enhance mineral exploration in British Columbia through the strategies and actions in the British Columbia Mining Plan. During 2004 over $130 million was spent in exploration and this is expected to increase substantially in 2005. In 2004/05, the ministry increased tenure security and provided administrative savings for industry by introducing an internet-based system for mineral claim acquisition and maintenance called Mineral Titles Online.

New Era Promises	
Government Priority	**Comments**
Promote clean and renewable alternative energy sources like wind, thermal, solar, tidal biomass and fuel cell technologies.	**Ongoing.** As part of the Energy Plan, there is a goal of having 50 per cent of the new supply purchased by electricity distributors from clean sources. The ministry works closely with independent power producers (IPPs) to facilitate the development of these energy sources. In 2004/05, 100 per cent of new electricity supplies came from clean sources. Five new independent power projects and an expansion to an existing plant began commercial operations adding 460 GW.h of electricity to the provincial grid. This represents a 7 per cent increase in the amount of clean, alternative and conventional electricity generated on the BC Hydro system by IPPs. The ministry is providing staff and financial support to the Alternative Energy and Power Technology Task Force. The ministry participated in the industry committee's development of a hydrogen and fuel cell strategy for the province, which subsequently received $2 million in Provincial funding to assist with implementation. In addition, the ministry supported the nascent geothermal energy industry by granting approval for the drilling of three deep geothermal wells.

Report on Performance

Overview of Ministry Goals and Linkage to Government Strategic Goals

Ministry Mission

The Ministry of Energy and Mines facilitates investment in the responsible development of British Columbia's energy and mineral resources to benefit British Columbians.

Government Strategic Goals	Ministry Goals
1. A strong and vibrant Provincial economy.	1. To maintain and increase investment in energy and mineral resource development in British Columbia.
2. Safe, healthy communities and a sustainable environment.	2. To maintain high environmental, and health and safety standards at mines and exploration sites.
	3. To be an exemplary organization and a ministry of choice as an employer in the British Columbia Public Service.
	4. To be a responsive, adaptable and accountable organization.

Report on Results

The Ministry of Energy and Mines had excellent success in 2004/05 however some conditions beyond the control of the ministry prevented Energy and Mines from accomplishing all of its performance goals. Further explanation of these variances is provided in the report on results section. The following chart summarizes this year's performance.

Synopsis of Ministry Results

Ministry Goals	Ministry Key Objectives	Measures/Targets (As appropriate)	Results
1. To maintain and increase investment in energy and mineral resource development in British Columbia.	1. Increase mining exploration and development.	Annual dollar amount of mineral exploration expenditure. Capital investment in new or existing mines.	✓✓
	2. Increase British Columbia's oil and gas production and activity and expand into new basins.	Raw natural gas production. Crude oil production. Number of oil and gas wells drilled.	△
	3. Increase investment in British Columbia's oil and gas sector.	Annual dollar amount of oil and gas industry investment in British Columbia.	✓✓
	4. Facilitate the development of British Columbia's offshore oil and gas resources in an environmentally sound manner.	Components of the offshore work plan implemented.	✓
	5. Stimulate investor interest in British Columbia's electricity, clean and alternative energy and energy efficiency sectors.	Annual dollar amount of investment in British Columbia's electricity, energy efficiency and alternative energy sectors.	✓✓
	6. Implement and/or oversee the implementation of the Policy Actions in the Provincial Energy Plan by the end of 2004/05.	Implementation of the Policy Actions in the Provincial Energy Plan and improvements to the Plan.	✓
2. To maintain high environmental, and health and safety standards at mines and exploration sites.	1. Maintain high health and safety standards.	Lost time accident frequency lower than any other heavy industry in British Columbia. Compliance with Health and Safety orders resulting from mine inspections.	✓
	2. Ensure a high standard of environmental protection with respect to mine sites.	Compliance with: 1. Permit conditions; and 2. Environmental and reclamation orders resulting from mine inspections.	✓
3. To be an exemplary organization and a ministry of choice as an employer in the British Columbia Public Service.	1. Implement effective human resource practices consistent with best practices.	Number of employees who have an annual employee performance and development plan. Ministry Human Resource Plan (HRMP) in place and consistent with best practices.	✓

✓✓ Exceeded Target. ✓ Achieved Target. △ Target mostly achieved ✗ Missed target.

Ministry Goals	Ministry Key Objectives	Measures/Targets (As appropriate)	Results
4. Core Business — Executive and Support Services.	1. Develop a performance measurement and tracking system for all service plan targets and outcomes.	Accounting process in place to track incremental oil and gas revenues from revenue generation projects. Tracking system in place for service plan targets and outcomes. Implement a significant number of meaningful reductions in regulatory requirements.	△

✓✓ Exceeded Target. ✓ Achieved Target. △ Target mostly achieved ✘ Missed target.

Goal 1

To maintain and increase investment in energy and mineral resource development in British Columbia.

Core Business — *Mining and Minerals.*

Objective 1

Increase mining exploration and development activity.

Rationale: Mining revenues and jobs are increasing as commodity prices, government policies and investor confidence are attracting the mining industry to develop these rich resources. The Province is committed to attracting exploration investment and building the mining industry in order to ensure benefits for all British Columbians.

Key Strategies 1

1. Market British Columbia's mining opportunities to the investment community.
2. Work with exploration and mining companies, communities, and other provincial and federal agencies to enhance mine exploration and development.
3. Facilitate infrastructure development to improve exploration and mine access.
4. Enhance relationships between First Nations, industry and government to develop greater opportunities and certainty on the land base.
5. Provide information to the public and industry on mineral deposits and potential.
6. Develop alternative mechanisms to fund the further advancement of baseline minerals geoscience in British Columbia.
7. Enhance mineral title administration by implementing a web-based map selection system.

Strategy Summary: The ministry:

1. Actively participated in exploration forums such as Roundup in Vancouver and the Prospectors and Developers Association annual meeting in Toronto.
2. Conducted regional joint solutions workshops with the exploration community and other provincial agencies to discuss and resolve issues.
3. Worked with the Ministry of Forests to facilitate the availability of resource roads.

4. Continued to work with First Nations groups to facilitate better understanding of exploration and mining processes while building partnerships with First Nations to assist in reviewing mining proposals.
5. Developed maps indicating economic benefits of exploration on regional communities.
6. Secured a $25 million contribution for Geoscience BC to the British Columbia, Yukon Chamber of Mines. MEM is working with the Federal Government to lever matching funding.
7. Implemented Mineral Titles Online, a web based system for staking and acquiring mineral claims, was implemented.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Annual dollar amount of mineral exploration expenditure[1]	$50 million	$55 million	$130 million	+$75 million
Capital investment in new or existing mines[2]	$100 million	$100 million	$200 million	+$100 million

[1] Source: British Columbia Ministry of Energy and Mines, based on annual surveys conducted by the ministry in collaboration with Natural Resources Canada and Statistics Canada (calendar year).

[2] Capital spending for the mineral sector is estimated by Ministry of Energy and Mines staff using data from annual surveys by PriceWaterhouseCoopers and Natural Resources Canada, adjusted to reflect non-surveyed activities and post-survey developments.

Explanation of variance: International commodity prices and increasing demand for minerals and mineral-related products, particularly from Asia, continues to drive investment activity in the minerals sector. As a result of this much improved international market for minerals, Canadian mineral exploration and mine development has seen considerable growth over the past year. In addition, British Columbia has also increased its share of the new Canadian exploration investments and exploration activity by improving the mining investment climate and implementing an efficient regulatory regime for resource developments.

Objective 2

Increase British Columbia's oil and gas production and activity, and expand into new basins.

Rationale: Production is a key indicator widely used by industry to communicate activity levels and success. Activity levels are closely linked to employment and business opportunities.

Key Strategies 2

1. Develop and implement new royalty and other incentive programs to increase production and activity.
2. Facilitate infrastructure development to improve access to oil and gas exploration and development opportunities.
3. Develop improved knowledge and information base for petroleum geology to identify new energy development opportunities within British Columbia.

4. Identify, stimulate and facilitate development opportunities for under-explored and unconventional resources, including coalbed gas, deep gas and tight gas, in both existing and new basins.
5. Identify and implement measures to enhance British Columbia's oil and gas service sector.

Strategy Summary: The ministry:

1. Began to evaluate a net profit mechanism for unconventional and frontier gas and amended the Producer Cost of Service (PCOS) calculation that reflected the Province's and industry's costs in order to help increase production and activity. A number of recommendations of the Best Practices Steering Committee were adopted resulting in significant annual savings to industry.
2. Constructed or upgraded 232 km of all weather roads plus the Sierra-Yoyo-Desan (SYD) Road concession agreement was signed on June 15, 2004. The SYD Road is a successful private-public partnership that won the National Partnership Project Financing Gold Award.
3. Improved the oil and gas knowledge base by providing or initiating new geological mapping, studies and reports.
4. Completed and implemented the new Interior Basin Development Strategy has been developed and implemented.
5. Completed 6 of the 16 Recommendations under the Service Sector Strategy.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Estimates	2004/05 Variance
Raw natural gas production — Trillions of cubic feet (Tcf)[1]	1.068 Tcf	1.130 Tcf	1.119 Tcf	-.011 Tcf
Crude oil production — Millions of barrels (Mbbls)[2]	14.44 Mbbls	14.14 Mbbls	12.422 Mbbls	-1.718 Mbbls
Number of oil and gas wells drilled[3]	1144 wells	1328 wells	1209 wells	-119 wells

[1] Oil and Gas Commission.

[2] Oil and Gas Commission.

[3] Oil and Gas Commission.

Explanation of variances:

Natural gas: Raw natural gas production in fiscal 2004/05 was 3.2 per cent lower than 2003/04 but 11.6 per cent above 2000/01 levels. Raw gas production in calendar 2004 (Jan – Dec) increased 1.5 per cent against calendar 2003. The gas production profile for wells connected in 2004 declined at a higher rate than wells connected in 2003. Production for 2004/05 was only .11 Tcf below target. Given variability of weather and other factors, this is considered a very successful production forecast.

Crude Oil: Crude oil production in 2004/05 was 5 per cent lower than 2003/04 and was 18 per cent lower than 2000/01. The oil production profile for wells connected in 2004

showed less production capacity than wells connected in 2003. Most of the reserve additions are occurring from revisions of existing pools by increased recovery or extension of the pool, such as Hay River.

Wells drilled: Wells drilled in 2004/05 were 5.8 per cent lower than 2003/04. Wells drilled in the first quarter of 2005 declined throughout Canada due to a late winter/early spring thaw.

Objective 3

Increase investment in British Columbia's oil and gas sector.

Rationale: Capital investment has a direct impact on drilling activity, production, reserve replacement and revenues to the Crown. The annual targets are based on the past investment trend combined with the expected impact of ministry policies and programs to attract greater investment.

Key Strategies 3

1. Position British Columbia as a fiscally competitive jurisdiction for resource development opportunities.
2. Implement an investment attraction strategy to promote and market opportunities in British Columbia's energy resources.
3. Enhance relationships between First Nations, industry and government to develop greater opportunities and certainty on the land base.
4. Undertake community information programs on proposed oil and gas projects.
5. Clarify freehold mineral title to facilitate access to both energy and mineral resources.

Strategy Summary: The ministry:

1. Continued to promote the Province's elimination of sales tax on production machinery and equipment and relatively low corporate income tax rate of 13.5 per cent.
2. Facilitated an investment mission to Calgary showcasing British Columbia's oil and gas capabilities, piloted the facilitation of oil and gas job fairs and assisted in the establishment of an oil and gas education and training consortium. This consortium funded (jointly with industry) 13 specific education and training programs and facilitated the announcement and funding of an Oil and Gas Centre of Excellence on Northern Lights College campus in Fort St. John.
3. Conducted meetings and information sessions throughout the Province with First Nations, industry, stakeholders and community groups in order to exchange information about potential oil and gas developments including coalbed gas.
4. Developed and resourced a new community engagement program; and signed a Memorandum of Understanding with the Peace River Regional District providing additional funding for community infrastructure.
5. Undertook research across the province to identify areas in which freehold mineral rights were originally granted.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Estimates	2004/05 Variance
Annual dollar amount of oil and gas industry investment in British Columbia	$3.3 billion	$4 billion	$4.5 billion[1]	+$.5 billion

[1] The Canadian Association of Petroleum Producers (CAPP) calculates oil and gas industry investment in calendar years (Jan – Dec).

Explanation of variance: Thanks to its abundant resources and supportive investment climate, British Columbia has successfully increased its competitiveness compared to other Canadian jurisdictions. Provincial oil and gas industry investment increased from $1.1 billion in 1999 to an estimate of $4.5 billion in 2004, moving from only 7 per cent of total oil and gas capital investment in Canada to more than 13 per cent last year.

Objective 4

Facilitate the development of British Columbia's offshore oil and gas resources in an environmentally sound manner.

Rationale: The Province of British Columbia believes that the potential opportunities provided by offshore oil and gas development are of significant public value if done so in a scientifically sound and environmentally responsible manner.

Key Strategies 4

1. Work with the federal government to advance the state of scientific knowledge about the British Columbia offshore and its potential energy resources.
2. Work with First Nations, coastal communities and stakeholders to identify concerns, provide information and establish workable solutions.
3. Develop options for the provincial positions regarding a comprehensive regulatory and management regime for the British Columbia offshore, and commence negotiations with the federal government.

Strategy Summary: The Offshore Oil and Gas Team has:

1. Researched and prepared a perspective on British Columbia offshore development.
2. Begun work at the local First Nations and coastal community level, building on the recent protocol agreement with the Nisga'a Nation and the Memorandum of Understanding with the Union of British Columbia Municipalities (UBCM).
3. Continues to engage federal officials on proposed joint initiatives relative to regulatory and management regime development.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Components of the offshore work plan implemented	Work plan completed.	Complete joint federal-provincial management regime to fully regulate offshore oil and gas development.	Target partially met.	See explanation of variance.

Explanation of variance: The federal government completed its review process regarding the federal moratorium on offshore oil and gas development in the Queen Charlotte Basin in November, 2004. Although the scientific review found no scientific reason to maintain the moratorium, the public review failed to provide clear direction on next steps and Canada has not made a decision on its moratorium. The Offshore Oil and Gas Team proposed to Canada a series of joint initiatives to be completed over the next two to three years, including development of a regulatory regime, but Canada has not yet responded.

Objective 5

Stimulate investor interest in British Columbia's electricity, clean and alternative energy and energy efficiency sectors.

Rationale: The Province of British Columbia acknowledges society's future requirements for energy. It also acknowledges the limits to conventional energy production and environmental concerns pertaining to it. As such the Province will implement various policies in order to assist in stimulating the alternative energy sectors while promoting energy efficiency.

Key Strategies 5

1. Promote, develop and implement policies to increase investment in the following priority areas: alternative energy technology (including hydrogen and fuel cells); wind power; biomass; solar; small hydro; ocean; geothermal; community energy planning; alternative energy solutions for remote communities; and energy efficiency and conservation.
2. Establish a mechanism to monitor investment levels in electricity and alternative energy and update the current investment baseline.
3. Pursue financial and cooperative partnerships with the federal government for priority activities in areas of common interest.
4. Be an advocate for electricity, alternative energy and energy efficiency and conservation investments in British Columbia.
5. Develop and implement strategies and targets to improve energy efficiency in new and existing buildings.

6. As part of the British Columbia Climate Change Plan, implement all initiatives that are under the responsibility of the ministry, as listed in Appendix 1, Consistency with Government's Strategic Plan.

Strategy Summary: The Alternative Energy Policy Branch began implementation of all the above strategies which form the continuing policy development and business planning of the Branch. Accomplishments in relation to the strategies are identified under Highlights of the Year. For 2005/06, the recommendations to be delivered to Government by the Alternative Energy and Power Technology Task Force will be a primary driver of activities under this objective.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Annual dollar amount of investment in British Columbia's electricity, energy efficiency and alternative energy sector[1]	Achieve a 10 per cent increase in the clean energy sector.	Establish new investment baseline for the electricity, clean and alternative energy and energy efficiency sector; achieve a 10 per cent increase over the baseline level.	The investment baseline has been established at 1115 GWh, 10% of which is 112 GWh./yr. 459.5 GWh of clean energy has been added in 2004/05.	Target exceeded.

[1] BC Hydro.

Explanation of variance: All six independent power projects beginning commercial operation in 2004/05 are investments in clean electricity; the target indicator (112 GW.h) was exceeded by a factor of three.

Objective 6

Implement and/or oversee the implementation of the Policy Actions in the provincial Energy Plan by the end of 2004/05.

Rationale: The Energy Plan made 26 commitments to meet the Province's energy needs and to generate jobs, economic growth and private sector investment in an environmentally responsible way. Implementing and/or overseeing the implementation of those recommendations are the final steps to accomplishing the goals of the Plan.

Key Strategies 6

1. Facilitate the full implementation of the publicly owned, independent transmission operator through implementing appropriate regulations/orders under the *Transmission Corporation Act*.

2. Develop and implement a legislated heritage contract, stepped rates and transmission access.
3. Participate in regulatory review processes, for example, environmental assessment and BCUC reviews.
4. Participate actively with utilities and others in the development of Grid West (formerly RTO West) and monitor regulatory issues in other jurisdictions to ensure access for Independent Power Producers (IPPs) and BC Hydro to regional markets.

Strategy Summary: Of the 20 Policy Actions related to electricity and alternative energy, 17 are completed and three are underway. In relation to the strategies identified above, the ministry:

1. Worked with BCTC and others to address outstanding issues such as accounting and school tax treatment.
2. Fully implemented the Heritage Contract, established by Order in Council, through the British Columbia Utilities Commission's (BCUC) Decision on BC Hydro's revenue requirement for 2004/05 – 2005/06. In March 2005, BC Hydro submitted to the BCUC an application for stepped rates and transmission service.
3. Participated in several BCUC and Environmental Assessment processes to enhance understanding of the Energy Plan.
4. Engaged in several initiatives in the western grid area to a facilitate efficient, robust regional markets, including chairing a provincial Steering Committee to provide guidance to BCTC in its participation in the development of Grid West (formerly RTO West), participating in a BC-Alberta Transmission Policy Working Group to address inter-provincial transmission issues, and participating in a variety of cross-jurisdictional working groups within the western interconnected grid.

In addition to these strategies, the ministry was also active in addressing issues affecting the establishment of new IPPs in the Province. It played a key role in addressing property tax issues, leading to an exemption from school taxes for penstocks for new run of river IPPs, and working to address local government issues through the implementation of a Memorandum of Understanding on IPP development with the UBCM.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Implementation of the Policy Actions in the provincial Energy Plan and improvements to the Plan	Implement legislation for the Heritage contract, changes to the BCUC and a new *Transmission Corporation Act*.	Update and distribute a "report card" on Energy Plan implementation, including recommending improvements to the Plan.	Completed. Report Card has been published.	N/A

Explanation of variance: N/A.

Goal 2

To maintain high environmental, and health and safety standards at mines and exploration sites.

Core Business — ***Mining and Minerals.***

Objective 1

Maintain high health and safety standards.

Rationale: The health and safety of mining and mineral sector workers are of paramount concern at all times. Government is committed to ensuring these standards are continually reviewed and improved.

Key Strategies 1

1. Complete site inspections at all major mines with a frequency as determined by performance and risk. Major mines are defined as those with a capacity to produce over 50,000 tonnes per year and any underground mines.
2. Complete in-depth audits at randomly selected mine sites to ensure compliance with standards and regulations.
3. Complete site inspections at a minimum of 20 per cent of small mines to provide reasonable statistical certainty of compliance.
4. Complete site inspections at a minimum of 15 per cent of exploration sites.
5. Work with industry, labour and other jurisdictions to keep provincial regulations current, practicable and effective.

Strategy Summary: The ministry:

1. Completed site inspections at all major mines in the province. A risk based inspection matrix was developed and was initiated in 2004.
2. Developed an audit process and pilot audits were conducted at two mines in 2004.
3. Developed a risk matrix that provides reasonable statistical certainty of compliance.
4. Additional resources are resulting in increased inspections at exploration sites.
5. Revised the Health Safety and Reclamation Code through a tri-partite committee comprised of labour, industry and government. The ministry met with other provincial jurisdictions to assess regulations trends. Regulations will continue to be revised as technology or information warrants.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Lost time accident frequency lower than any other heavy industry in British Columbia[1]	2.5 or less	2.5 or less	2.5 or less	0
Compliance with Health and Safety orders resulting from mine inspections[2]	85 per cent compliance	95 per cent compliance	95 per cent compliance	0

[1] Number of work days missed in one year per 100 workers. Source: Industry Report: "Comparative Statistics for mines in BC.".

[2] Ministry of Energy and Mines health and safety inspections.

Explanation of variance: N/A.

Objective 2

Ensure a high standard of environmental protection with respect to mine sites.

Rationale: Mining and mineral development will not be done at the risk of the environment. High standards of environmental protection will ensure mining in British Columbia is done in a sustainable manner.

Key Strategies 2

1. Complete site inspections at all major mines with a frequency as determined by performance, risk and activity.
2. Complete site inspections at closed mine sites on a risk assessment basis to ensure ongoing monitoring and maintenance requirements are achieving the required outcome.
3. Work with industry to establish mine closure requirements at mine sites that are ceasing operations to ensure practicable, timely and effective reclamation.
4. Work with operators of active mines to ensure practicable, effective planning for ongoing reclamation and closure.

Strategy Summary:

1. Site inspections were conducted. Additional resources are allowing for increased inspection frequencies.
2. Risk assessment protocols are being developed.
3. The ministry is actively working with industry and other provincial agencies on a site by site basis to develop closure plans that are applicable and achievable for individual mine sites. Reclamation work of a high standard is being conducted at major closed mine sites.
4. Reclamation and closure plans for active mine sties are developed and reviewed every five years. Effective planning for closure is being accomplished at all active provincial mines. Ongoing reclamation work is of the highest standard and outstanding reclamation activity is recognized annually.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Compliance with:				
1. Permit conditions; and				
2. Environmental and reclamation orders resulting from mine inspections[1]	85 per cent compliance	95 per cent compliance	95 per cent compliance	0

[1] Ministry of Energy and Mines health and safety inspections.

Explanation of variance: N/A.

Goal 3

To be an exemplary organization and a ministry of choice as an employer in the British Columbia Public Service.

Core Business — *Executive and Support Services.*

Objective 1

Implement effective human resource practices consistent with best practices.

Rationale: Implementation of human resource best practices in an organization ensures employees have a healthy, safe and effective environment from which to successfully complete their vocation.

Key Strategies 1

1. Implement the process for Employee Performance and Development Plans (EPDP), aligned with the ministry Service Plan goals, objectives and outcomes.
2. Update and implement the Ministry Human Resource Plan.
3. Link the Ministry Human Resource Plan to the Corporate Human Resource Plan.

Strategy Summary: The ministry:

1. Successfully implemented the Employee Performance and Development program this year, with 100 per cent of staff completing Plans.
2. Updated and implemented the HR Plan.
3. Completed the HR Plan with full linkages to the Corporate HR Plan. The ministry also held its second annual Staff Forum, with the theme "Looking to the Future".

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Number of employees who have an annual employee performance and development plan	100 per cent of excluded employees	100 per cent of employees	100 per cent of employees	0
Ministry Human Resource Plan (HRMP) in place and consistent with best practices	Plan in place.	Update HRMP in consultation with ministry staff.	100 per cent of HRMP goals implemented.	0

Goal 4

Core Business — *Executive and Support Services.*

Objective 1

Develop a performance measurement and tracking system for all service plan targets and outcomes.

Rationale: Effective performance measurement allows an organization to properly measure the success of policy and programs.

Key Strategies 1

1. Develop performance measures and a quarterly progress report for Treasury Board for revenue generation projects.
2. Develop an alternative funding model for revenue generating projects.
3. Develop and implement a system of measuring and tracking service plan performance and outcomes.
4. Undertake a systematic review of ministry legislation, regulations and policies to achieve a one-third reduction in regulatory requirements from 2001 levels by June 2004.
5. Develop an "Energy and Mines — Beyond the Count" regulatory streamlining plan to achieve further significant and meaningful reductions in regulatory requirements.

Strategy Summary: The ministry:

1. Provided a report to Treasury Board on additional activities resulting from new programs. In addition, the ministry also provides quarterly and annual revenue forecasts for the energy and mineral sectors.
2. Implemented a funding model supporting individual revenue generating projects based on expected incremental revenue. This model has been applied to a broad range of infrastructure and targeted royalty initiatives.
3. Produces quarterly update reports fully accounting for the status of all performance measures contained in the Service Plan. These reports are provided to the Executive of the ministry.
4. Achieved a one-third regulatory regulation.

5. Developed a three-year plan to review various pieces of legislation with the intent of further regulatory reduction and/or regulatory improvement. The plan also commits to maintaining the current regulatory count.

Performance Measure	2003/04 Base Values	2004/05 Target	2004/05 Actual	2004/05 Variance
Accounting process in place to track incremental oil and gas revenues from revenue generation projects[1]	Generate increased revenues of $27.2 million	Generate incremental revenues of $285 million	Generated incremental revenues of $181 million	- $104 million
Tracking system in place for service plan targets and outcomes	No previous target	Tracking system developed and implemented	Completed	0
Implement a significant number of meaningful reductions in regulatory requirements[2]	Eliminate 11 per cent of regulations	By June 2004, complete the one-third reduction in regulations	Target achieved (–33.76%)	0

[1] Ministry of Energy and Mines, Oil and Gas Division.

[2] Province of British Columbia, Regulatory Reform Office

Explanation of variance: Incremental revenues — Reduced bonus bids have had a dramatic effect on incremental revenue as calculated by the existing methodology which simply compared oil and gas revenues to a baseline established in 2003. As of the Second Quarterly Report, MEM's incremental revenue forecast included $178.5 M from royalties/tax, and $40 M from bonus bids. As of the 3rd Quarterly (January 2005), the contribution of bonus bids had dropped to $0. However, more broadly, reduced incremental revenue performance reflects that sector revenues have grown successfully, but not at the stretch target rates established in 2003.

Report on Resources

This Resource Summary outlines the estimated and actual expenditures and Full-Time Equivalent Staff (FTE) for each of the ministry's core business areas. This summary does not include the resources of the Crown Agencies, Boards or Commissions that report to the Minister of Energy and Mines.

In addition to the ministry's approved Estimates budget of $63.790 million, the ministry received $11.207 million in funding from the Contingencies Vote to cover costs of the following activities: Treaty 8 negotiations, remediation of orphan wells, additional mine health and safety inspections, promotion of mineral opportunities for First Nations, additional geoscience activity, resource revenue sharing agreements and the Vancouver Island Natural Gas Pipeline Agreement.

Operating Expenses excludes $2.0 million made available through the *Northern Development Initiative Trust Act* for Fuel Cells Canada. Through the Supplementary Estimates process, MEM also received $25.0 million to cover a grant to Geoscience B.C.

2004/05 Resource Summary

	Estimated[1]	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)[3]
Operating Expenses ($000)					
Oil and Gas	20,970	1,600	22,570	18,221	(4,349)
Mining and Minerals	7,868	25,000	32,868	34,396	1,528
Electricity and Alternative Energy	1,134	0	1,134	1,673	539
Executive and Support Services	5,258	831	6,089	8,371	2,282
Contracts and Funding Arrangements[2]	28,560	8,776	37,336	37,336	0
Total	**63,790**	**36,207**	**99,997**	**99,997**	**0**
Full-time Equivalents (Direct FTEs)					
Oil and Gas	86	0	86	71	(5)
Mining and Minerals	93	0	93	97	4
Electricity and Alternative Energy	12	0	12	11	(1)
Executive and Support Services	51	0	51	41	(10)
Contracts and Funding Arrangements	0	0	0	0	0
Total	**242**	**0**	**242**	**220**	**(22)**
Ministry Capital Expenditures (Consolidated Revenue Fund) ($000)					
Oil and Gas	471	0	471	105	(366)
Mining and Minerals	1,026	0	1,026	579	(447)
Electricity and Alternative Energy	0	0	0	0	0
Executive and Support Services	310	0	310	131	(179)
Contracts and Funding Arrangements	0	0	0	0	0
Total	**1,807**	**0**	**1,807**	**815**	**(992)**

	Estimated[1]	Other Authorizations	Total Estimated	Actual	Variance (Actual minus Total Estimated)[2]
Other Financing Transactions ($000)					
Columbia Basin Accord Disbursements[3]	50,000	0	50,000	50,000	0

[1] These amounts have been restated, for comparative purposes only, to be consistent with the presentation of the *2004/05 Estimates*. Schedule A of the *2004/05 Estimates*, presents a detailed reconciliation.

[2] Contracts and Funding Arrangements includes: An annual payment for three years to reflect the province's obligations under the Vancouver Island Natural Gas Pipeline Agreement; revenue sharing agreements; and expenditures associated with the Columbia Basin Trust.

[3] 2006 is the final year the Province is required to provide $50 M under the Columbia Basin Accord as an investment in Columbia Power Corporation and the Columbia Basin Trust. This money is to finance power projects on a joint venture basis.

Explanations and Comments

Total Capital expenditures for 2004/05 were $815,000 and included:

- $67,000 for specialized equipment (primarily for Mining and Minerals);
- $10,000 for office furniture;
- $125,000 for vehicles (part of MEM's leased fleet vehicle renewal plan and including lease of a hybrid vehicle to be shared with other ministries);
- $613,000 for info systems (primarily for substantial completion of the Mineral Titles Online System);

The final year for financing transactions pursuant to the Columbia Basin Accord will be 2005/06.

Appendix 1

Crowns, Agencies, Boards and Commissions responsible to the Minister of Energy and Mines

1. Assayers Certification Board of Examiners
2. British Columbia Hydro and Power Authority
3. British Columbia Transmission Corporation
4. Columbia Power Corporation
5. Columbia Basin Trust
6. Mediation and Arbitration Board
7. Oil and Gas Commission
8. Oil and Gas Commission Advisory Committee

Appendix 2

Legislation administered by the Ministry of Energy and Mines

1. *BC Hydro Public Power Legacy and Heritage Contract Act*
2. *Coal Act*
3. *Coalbed Gas Act*
4. *Columbia Basin Trust Act*/Bill 79 — *Columbia Basin Trust Amendment Act, 2003*
5. *Energy Efficiency Act*
6. *Fort Nelson Indian Reserve Minerals Revenue Sharing Act*
7. *Gas Utility Act*
8. *Geothermal Resources Act*
9. *Hydro and Power Authority Act*
10. *Hydro Power Measures Act*
11. *Indian Reserve Mineral Resource Act*
12. *Mineral Land Tax Act*
13. *Mineral Tax Act*
14. *Mineral Tenure Act*
15. *Mines Act*
16. *Mining Right of Way Act*
17. *Ministry of Energy and Mines Act*
18. *Natural Gas Price Act*
19. *Oil and Gas Commission Act*
20. *Petroleum and Natural Gas Act*
21. *Petroleum and Natural Gas (Vancouver Island Railway Lands) Act*
22. *Pipeline Act*
23. *Power for Jobs Development Act*
24. *Transmission Corporation Act*
25. *Vancouver Island Natural Gas Pipeline Act*